

Message Text

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PAGE 01 CANBER 04645 190937Z

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 SEC-03 L-03 H-03 PA-04 PRS-01 USIA-15 (ISO) W

----- 047494

R 190709Z JUL 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 3687

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

LIMITED OFFICIAL USE CANBERRA 4645

E.O. 11652: N/A

AGS: EFIN, AS

SUBJ: SENATE COMMITTEE REPORT ON SECURITIES AND EXCHANGE

REF: CANBERRA 3048

1. LONG-AWAITED REPORT OF SENATE SELECT COMMITTEE ON SECURITIES AND EXCHANGE MADE PUBLIC JULY 18 HAS PAVED WAY FOR NEW LEGISLATION TO REGULATE LOCAL SECURITIES MARKETS AND CREATE UNIFORM FEDERAL COMPANY LAW IN AUSTRALIA. MASSIVE FIVE-VOLUME REPORT, IN PREPARATION SINCE COMMITTEE CREATED IN 1970, REPORTEDLY DOCUMENTS IN DEVASTATING DETAIL VARIETY OF FRAUDULENT ACTIVITIES (INSIDER TRADING, SHARE-PUSHING, MARKET-RIGGING, ETC.) BY LOCAL FIRMS DURING MINING SHARE BOOM OF 1969, WHICH WAS FOLLOWED BY RESOUNDING STOCK MARKET CRASH. REPORT, WHICH IS RECEIVING HEAVY PRESS ATTENTION, HAS BOOSTED TO PROMINENCE 41-YEAR OLD SENATOR PETER RAE (LIBERAL-TASMANIA), WHO HAS CHAIRED COMMITTEE SINCE 1971.

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2. PRAISING REPORT, ATTORNEY-GENERAL MURPHY HAS ANNOUNCED GOA WILL INTRODUCE LEGISLATION TO ESTABLISH NATIONAL SECURITIES AND EXCHANGE COMMISSION TO REGULATE AUSTRALIA'S FIVE STOCK EXCHANGES. MURPHY ALSO PLANS TO INTRODUCE A NATIONAL COMPANIES ACT TO REPLACE INDIVIDUAL STATE REGULATIONS AND PRESENT FEDERAL LEGISLATION.

3. EMBASSY COMMENT: "RAE REPORT" HAS LONG BEEN ANTICIPATED BY AUSTRALIANS, MANY OF WHOM WERE BADLY BURNED FINANCIALLY IN MINING-SHARE BOOM AND BUST OF 1969-70. REPORT, WHICH WAS UNANIMOUSLY APPROVED BY COMMITTEE MEMBERS OF ALL PARTIES AND IS CLOSELY IDENTIFIED WITH OPPOSITION SENATOR RAE, WILL UNDOUBTEDLY GREATLY STRENGTHEN LABOR GOVERNMENT'S EFFORTS TO HAVE CANBERRA REPLACE STATE GOVERNMENTS AS REGULATOR NOT ONLY OF STOCK EXCHANGES BUT OF COMPANIES IN GENERAL. ALLEGED FRAUDULENT ACTIVITIES APPARENTLY DID NOT SIGNIFICANTLY INVOLVE US OR OTHER OVERSEAS FIRMS, EITHER BROKERAGE HOUSES OR MINING COMPANIES (REFTEL). THUS ISSUE OF FOREIGN INVESTMENT NOT DIRECTLY RAISED. REGULATION OF LOCAL EXCHANGES WIDELY CONCEDED TO BE MUCH BEHIND THE TIMES IN COMPARISON WITH US AND OTHER COUNTRIES. IF NEW LEGISLATION LEADS TO IMPROVED EFFICIENCY OF FRAGMENTED LOCAL CAPITAL MARKETS AND RETURN OF INVESTOR CONFIDENCE, "RAE REPORT" MAY PROVE TO BE CONSTRUCTIVE AS WELL AS SENSATIONAL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, REPORTS, SECURITIES MARKETS, UPPER HOUSE, COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 19 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CANBER04645
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740194-0951
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740735/aaaabdza.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: CANBERRA 3048
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUL 2002 by boyleja>; APPROVED <28 MAR 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SENATE COMMITTEE REPORT ON SECURITIES AND EXCHANGE
TAGS: EFIN, AS, (RAE, PETER)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005